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INFORMATION REPORT

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25 YEAR RE-REVIEW

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REPORT

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1. In mid-1953 USIA received a secret directive of the USSR Council of Ministers advising it to modernize completely approximately 40 heavy industrial enterprises of USIA. One of these enterprises, was the Voith Machine Tool and Turbine Plant; many of the others belonged to the A/O Pod'yomnik and A/O Marten.<sup>1</sup> New machine tools for these plants were to be delivered from the USSR and from Czechoslovakia. A contract with the Czechoslovak government, amounting to 40 or 50 million rubles, for delivery of these machine tools was concluded between Moscow and Prague with the delivery date of 31 December 1953. Practically all major Czechoslovak machine tool manufacturing plants had a part in this contract. With some difficulties and much needling by USIA, the entire order of Czechoslovak machinery was delivered on time. 25X1
2. As an official reason for modernization of the 40 USIA enterprises, the secret directive of the USSR Council of Ministers gave the necessity of creating better working and living conditions of the workers, satisfaction of their sanitary and cultural needs, and quantitative and qualitative improvement of production. The term used in the directive was to create "exemplary" enterprises (Obraztsovyye predpriyatiya) and the directive contained measures for reconstruction of plant buildings, construction of schools, club houses, libraries, movie theaters, shower rooms, workers settlements with comfortable modern apartments, parks, etc. A rather short period of time was given to carry out the project and, everything had to be completed in 1954.
3. The directive was received prior to the 1953 Berlin Foreign Ministers' Conference. The directive was, of course, discussed among USIA employees and the general opinion was that the move was a forecast of the Soviet intentions to give up USIA and the holding of German assets in Austria if subjected to strong Western pressure at the conference. It should be borne in mind that since 1946, when the majority of these enterprises were seized by USIA, nothing had been done regarding the reconstruction of plants, except for the bare maintenance required to keep them running. The enterprises were

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run and exploited on the "wear-out" ( Na Iznos) operational system. In this way, by 1953, the majority of USIA enterprises were indeed in poor shape; some were ready to collapse. It went so far that by the mere outside appearance of a plant every passer-by could unmistakably tell a USIA plant from one operated by Austrians.

the Soviet government considered it a matter of prestige to convert its enterprises in Austria into exemplary modern plants equipped and organized according to the latest achievements in technical, sanitary, and cultural fields. Most certainly the propaganda element in this move, as in any other Soviet project, played an important, if not the major role.

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4. At the 1949 Austrian Peace Treaty Conference in Moscow, the value of USIA holdings in Austria was set at US \$150,000,000. This was specified in paragraph 35 of the treaty. The general opinion of USIA employees at the time of the 1953 Berlin Conference was that, because of the harm done to the prestige of the Soviet government by the ever-increasing criticism of the Soviet arbitrary exploitation of Austrian enterprises and of the operational losses on which many of these enterprises were being run, the Soviet government would probably be willing to reduce the original agreed value of US \$150,000,000 to \$100,000,000 or even \$75,000,000. Anyway, prior to and during the 1953 Berlin Conference practically all leading employees of USIA expected its prompt end and the return of property to the Austrian state.

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a similar situation existed in 1949 during the Moscow conference when USIA was in serious danger of being abolished.

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at that time a directive was received from Moscow advising USIA to increase wages and salaries of personnel employed by USIA enterprises to the maximum. This move was allegedly motivated by propaganda purposes and was based on the Austrian labor legislation, according to which a new owner of an enterprise had no right to worsen employment and working conditions in the acquired plant. Thus, a strong Soviet propaganda effect upon the Austrian working class was to be achieved at the expense of the expected new owner, namely, the Austrian state. However, the plan misfired and it turned out that USIA had to carry the heavy burden of salaries and wages introduced for the purpose of bleeding white the Austrian government. Fortunately, the growing inflation in the country and decreasing value of the Austrian schilling had forced other enterprises to increase wages, and for this reason the tremendous difference in wages between USIA and Austrian-operated enterprises eventually disappeared. However, even now, the wages of USIA workers are 10% higher than the equivalent wages of Austrian-operated plants.

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5. under strong pressure, the Soviet government would relinquish its holdings in Austria and East Germany (if there are any) and even would agree on certain steps to grant more independence to the Austrian state, the possibility that the Soviet Union would ever agree to the removal of Soviet armed forces from Austria and East Germany. Such a move would be contrary to the Soviet ideology and the very principles upon which the Soviet state is built. The conviction that World War III is unavoidable is quite a general one among Soviet intelligentsia and allegedly is fully shared by the Soviet government. Under such conditions it would be quite stupid, if not suicidal, to give up Vienna and Berlin in order to recapture them again one day at the price of many billions of rubles in war expense, to say nothing of other possible sacrifices -- time, political set-backs, and millions of human lives ( the cheapest item, however) -- which such a move would bring about.

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6. It is of interest to note that although the Soviet government and its representatives in Austria try to create the impression that they do not care about Austrian and Western public opinion and criticism of the USSR for exploitation and plunder of the Austrian national economy and poor conditions of Soviet-operated enterprises in Austria, this assumed attitude is nothing but a mask to disguise the real feelings of the Soviet administration. The truth is that the USSR is very sensitive to the criticism of Soviet behavior

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in Soviet-operated enterprises in Austria, dissatisfaction of workers, export of Austrian production to the USSR and Satellite countries, import of consumer goods to Austria without payment of import duties to the Austrian government, and similar items, always cause great excitement in the Soviet administration in that country. Each case is investigated, high Soviet officials are sent to take immediate measures to alleviate the situation, and everybody waits with apprehension to see what Moscow's reaction to the charge will be.

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